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State of Utah

Department of Natural Resources

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Executive Director

Division of Oil, Gas & Mining

JOHN R. BAZA
Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

February 3, 2006

CERTIFIED RETURN RECEIPT
7002 0510 0003 8603 2205

Kennecott Utah Copper Corporation
Paula Doughty
8315 West 3595 South
P.O. Box 6001
Magna, Utah 84044-6001

Subject: Five-Year Review of Reclamation Surety Estimate, Kennecott Utah Copper Corporation, North Impoundment/Saltair Tailings, M/035/015, Salt Lake County, Utah

Dear Ms. Doughty:

Thank you for providing the information requested for the five-year review of the North Impoundment/Saltair Tailings. The Division finds based on the information reviewed, that the only changes for the reclamation cost estimate is a five-year escalation. The surety escalated to the year 2011 is \$20,374,600. This amount is a reduction from the surety in the amount of \$20,628,000 presently posted. The reduction is the result a change in the process used to escalate bonds. The escalation factor was revised from the Means Historic Cost Index to the Historic Cost Index for Site Construction. A Surety Estimate Update is attached for your use.

If you wish to amend the surety please contact Beth Ericksen at (801) 538-5318 (BethEricksen@utah.gov) to obtain the rider information. This information can also be found on the Division's web page at <http://ogm.utah.gov/minerals/>. Please fax a "draft" copy of the document to (801) 359-3940 for review prior to finalizing.

Thank you for your help in keeping the surety current. If you have any questions concerning this letter, please contact Doug Jensen at (801) 538-5382.

Sincerely,

Susan M. White
Minerals Regulatory Program

SMW:dj

Attachment: Surety estimate update

cc: Doug Jensen, DOGM
Beth Ericksen, DOGM

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SURETY ESTIMATE UPDATE

31-Jan-06

Kennecott Utah Copper Corporation

Tailings Modernization/North E FILE # M/035/015

Salt Lake County

Prepared by Utah Division of Oil, Gas & Mining

Last Update

DATE

2-Dec-99

DESCRIPTION:

-Previous reclamation surety estimate was \$20,628,000 in year 1999 dollars

-Reclamation Estimate was calculated at the end of 1995 and the surety was posted in early 1996

-This update adjusts the surety amount for escalation only.

-Escalation factors through 2004 are actual Means Historical Cost Index for Site Construction; the 2005 indice is not yet available

-Total disturbed area = 3334 ACRES

CALCULATIONS	YR	ESCAL FACTOR	BOND AMOUNT
$F = P(1 + i)^{**n}$	1994	0.0321	\$0.00
	1995	0.0193	\$0.00
F = Future Sum	1996	0.0242	\$15,319,000
P = Present Sum	1997	0.0236	\$15,680,528
i = Escalation Factor	1998	0.0502	\$16,467,691
n = number of periods	1999	0.0191	\$16,782,224
	2000	0.0244	\$17,191,710
Three Yr Average =1.20%	2001	0.0421	\$17,915,481
Used to Project 5 Yrs	2002	0.0171	\$18,221,836
From the Year 2005	2003	0.0084	\$18,374,899
	2004	0.0200	\$18,742,397
	2005	0.0120	\$18,967,306
	2006	0.0120	\$19,194,914
	2007	0.0120	\$19,425,253
	2008	0.0120	\$19,658,356
	2009	0.0120	\$19,894,256
	2010	0.0120	\$20,132,987
	2011	0.0120	\$20,374,583
Updated Surety Amount Rounded (2011-\$)			\$20,374,600

** Average cost per acre = 6111 (\$/ACRE)